

## **FISCAL NOTE**

### **HB 3195 - SB 3713**

March 5, 2008

**SUMMARY OF BILL:** Enacts the "Tennessee Cabaret Licensing Act of 2008." Requires cabarets to be licensed with the Alcoholic Beverage Commission (ABC). Prohibits anyone with certain felony convictions within the last eight years from owning such establishments. Authorizes a \$2,000 application fee and a \$500 annual renewal fee for such permits. Creates a Class C misdemeanor for anyone working in an unlicensed cabaret. Authorizes licensed cabarets to sell alcoholic beverages in localities that have approved the sale of alcoholic beverages. Requires cabaret entertainers to be licensed by ABC. Prohibits individuals charged with certain drug offenses or sexual crimes within the last eight years from obtaining such license. Entertainer licensees must not have had a similar permit revoked in any jurisdiction within the last two years. Licensees will be required to be 21 years of age or older. Authorizes temporary five day permits for a fee of \$25. The application fee for such a license will be \$100 and renewals, required every two years, will have a fee of \$50. Information collected on such permits will be confidential and not subject to the Open Records Act. Creates a Cabaret Licensing Fund in which all fees would be deposited.

#### **ESTIMATED FISCAL IMPACT:**

**Increase State Revenue - \$125,000/One-Time/ABC Fund**  
**Less than \$100,000/Recurring/General Fund**  
**\$462,500/FY08-09/ABC Fund**  
**\$37,500/FY09-10 and every two years**  
**thereafter/ABC Fund**  
**\$487,500/FY10-11 and every two years**  
**thereafter/ABC Fund**

**Increase State Expenditures - \$101,400/One-Time/ABC Fund**  
**\$138,100/Recurring/ABC Fund**

**Increase Local Revenue - Less than \$100,000**  
**Increase Local Expenditures - Not Significant**

Assumptions:

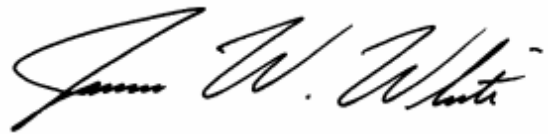
- Approximately 50 cabarets will be required to obtain the new license.

- A one-time increase in state revenue attributable to the \$500 application fee for establishments. Such increase is estimated to be \$25,000 ( $50 \times \$500 = \$25,000$ ).
- A one-time increase in state revenue attributable to the \$2,000 application fee for establishments. Such increase is estimated to be \$100,000 ( $50 \times \$2,000 = \$100,000$ ).
- A recurring increase in state revenue of \$25,000 for FY09-10 and thereafter. Such increase is attributable to the annual license renewal fee of \$500 ( $50 \times \$500 = \$25,000$ ).
- A recurring increase in state revenue of approximately \$12,500 attributable to the sale of approximately 500 temporary entertainer permits at a price of \$25 each ( $500 \times \$25 = \$12,500$ ).
- An increase in state revenue of approximately \$450,000 attributable to the sale of approximately 4,500 two-year entertainer permits at a price of \$100 each ( $4,500 \times \$100 = \$450,000$ ). Such increase is estimated to occur in FY08-09 and every two years thereafter.
- Recurring revenue for FY08-09 is assumed to include \$12,500 from the sale of temporary entertainer permits and \$450,000 for two-year entertainer permits.
- Recurring revenue for FY09-10 and every two years thereafter is assumed to include \$12,500 from the sale of temporary entertainer permits and \$25,000 from the annual license renewal fee for cabarets.
- Recurring revenue for FY10-11 and every two years thereafter is assumed to include \$12,500 from the sale of temporary entertainer permits, \$450,000 from the sale of two-year permits and \$25,000 from the annual license renewal fee for cabarets.
- ABC will need two new agents to enforce the provisions of the bill. The recurring increase in state expenditures for these agents is estimated to be \$100,500 for salary (\$62,200), benefits (\$21,100), travel (\$6,000), printing (\$600), office space (\$5,400), phones (\$1,200), offices supplies (\$600), network connections (\$2,400), and an annual contribution to the equipment replacement fund (\$1,000). The one-time expenditure for equipment for these agents is estimated to be \$95,800. Required equipment includes a vehicle, communications equipment, firearms, and other items necessary to agent enforcement duties.
- ABC will require one new administrative assistant to assist with the licensing requirements of the bill. The recurring increase in state expenditures for this position is estimated to be \$37,600 for salary (\$23,900), benefits (\$8,100), printing (\$300), office space (\$2,700), phone (\$600), office supplies (\$300), network connection (\$1,200), and an annual contribution to the equipment replacement fund (\$500). The one-time expenditure for office landscaping (\$3,600) and a PC (\$2,000) for this position is estimated to be \$5,600.
- There is no provision in the bill for liquor-by-the-drink license fees or local privilege taxes associated with the cabaret license.

- There will not be a sufficient number of Class C misdemeanor prosecutions for state or local governments to experience any significant increase in revenue or expenditures.
- Upon licensing, entities will be assessed state and local taxes on alcoholic beverage sales and a 15 percent liquor-by-the-drink tax on each alcoholic beverage sold. This is estimated to result in an increase in state revenue to the General Fund of less than \$100,000 and an increase in local government revenue of less than \$100,000.

**CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

/cce